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Ohio Workers' Compensation Managed Care Organization Impact Study

Executive Summary

Ohio's Bureau of Workers' Compensation (BWC) is one of the largest insurers in the United States. Insuring over 240,000 employers, Ohio's BWC is one of four monopolistic, and the largest state-run, workers' compensation systems. In the 1990's, stakeholders came together to develop a plan for improving specific elements of Ohio's workers' compensation system. The resulting plan was the Health Partnership Program (HPP). The HPP program introduced managed care into the workers' compensation system. The medical management of compensable workers' compensation claims was contracted to Managed Care Organizations (MCOs). Determination of compensability and the payment of indemnity benefits stayed within the Bureau of Workers' Compensation (BWC). The MCOs were further charged with employer and injured worker education regarding the new system, making the work place safer, setting up transitional/early return-to-work programs, as well as claim reporting procedures in the event of an injury. Included in their services are the processing of First Report of an Injury, Occupational Disease or Death (FROI) applications. Finally, MCOs process medical bills and make provider payments.

HPP covers all private state-fund employers as well as public employers, both state and local. HPP went into effect March 1, 1997, requiring certified MCOs to begin medically managing all injuries that occurred on March 1, 1997 or later (Phase 1). Beginning September 1, 1997, the MCOs took over medical management of all claims with dates of injury between October 20, 1993 and February 28, 1997 (Phase 2). MCOs assumed responsibility for medically managing the remainder of claims, those with dates of injury prior to October 20, 1993 (Phase 3), on December 15, 1997. The current number of MCOs is 12. This is down from the initial number of 57 when HPP was initiated in 1997.

BWC monitors MCO managed care performance. For example, it measures the effectiveness of the MCOs' return-to-work efforts using the Measurement of Disability (MoD) metric. BWC also measures MCO FROI timing, FROI data accuracy, bill timing and bill data accuracy. Further, it publishes most of these measures in an annual MCO Report Card, available on www.bwc.ohio.com.

Study Overview

In 2018, BWC contracted with DXC Technology to evaluate the impact MCOs have had on Ohio's workers' compensation system. The evaluation quantified the impact MCOs have had on:

- medical management of claims;
- return to work;
- claim costs;

- duration, etc.

Specifically, the evaluation focused on the following analysis vectors:

1. Identification of areas of missed opportunities when comparing Ohio's MCO environment with other payer environments.
2. Identification of areas of potential efficiencies in areas where the MCOs and BWC's duties intersect and interact.
3. Identification of opportunities for resetting the strategic administrative focus of MCOs in managing Ohio workers' compensation claims.
4. Evaluating the current return-to-work outcome measures and comparison of measures across industry and similar jurisdictions.
5. Evaluating and appropriately providing recommendations on current and potential future methodologies for reimbursing MCOs for services.
6. Evaluating and appropriately providing recommendations on current MCO performance measurements identifying.
7. Evaluating and appropriately recommending changes to current MCO report card and MCO Open Enrollment processes.
8. Evaluating and appropriately identifying best practice approaches to MCO contract negotiations, along with any strategic transition or adjustment recommendations that may be necessary or prudent.

This evaluation was divided into five reports:

1. Quantitative and qualitative impacts of MCOs on the Ohio Workers' compensation system.
2. Evaluation of specific strengths and weakness of the current MCO environment.
3. Assessment of the current MCO performance measurement protocol.
4. Assessment of the current MCO payment and incentive methodology.
5. Analysis of BWC's approach to procurement of medical management services.

Summary of Findings and Recommendations

Ohio is a leader in workers' compensation.

When compared to national data, Ohio has fewer work-related injuries than the national average. When injuries do occur, Ohio performs better than the national average and better than other monopolistic workers' compensation systems at getting injured workers rehabilitated and safely returned to work.

DXC collected the feedback of employers and injured workers and found that both stakeholder groups report a high level of satisfaction with the system. Injured workers report efficient, timely, and professional claim handling. Ohio's employers feel they are receiving prompt and skillful case management, improved rehabilitation, and valuable services from the workers' compensation system overall.

Ohio has a mature claims processing system with indicators in place to ensure accuracy and timeliness of data, such as FROI and bill timing and FROI and bill data accuracy. These indicators are in line with industry standards and are designed to support best practices in medical management.

Finally, the BWC holds MCOs to high standards. Currently, Ohio is the only state that requires MCOs to obtain accreditation from the national Utilization Review Accreditation Commission (URAC). Both URAC and BWC audits maintain a high level of quality assurance within MCOs.

MCO Environment and Public-Private Partnerships:

Challenges and tensions are an inevitable reality of the shared responsibility occurring in public private partnership. In order to evaluate environmental strengths and weaknesses it is important to understand that there is some unavoidable functional overlap between the MCOs and the BWC. This overlap ensures that high-quality service will be provided for injured workers and employers. These shared responsibilities require a balance between accountability and innovation, and occasionally come at the expense of optimal efficiency. Second, as with any public-private partnership, Ohio's workers' compensation system deals with the tensions between regulatory oversight and market competition. These qualities of this environment must be acknowledged to understand the framework in which MCOs operate.

In identifying and evaluating opportunities for enhancement, we must acknowledge that Ohio's workers' compensation system is unique in many ways. The State has greater responsibility for oversight and management. Additionally, managed care organizations do not bear true financial risk as they do in many other managed care environments. As a result, practices that are successful in another state may be inappropriate in Ohio and vice versa. Most evaluated policies and procedures were found to be optimally suited to support this system but opportunities for potential enhancement were identified.

Key Recommendations

Of the recommendations DXC has made in the five deliverables, three key recommendations are being highlighted here:

1) ***Monitor lost time claims separately from medical only claims*.** DXC found that while return to work timing has been decreasing overall, return to work timing for lost time claims (20% of Ohio's workers' compensation claims) has increased. This increase in RTW timing for lost time claims is directly correlated with an increased indemnity cost of $700-$1000 per claim. By monitoring lost time claims separately from med only claims, BWC can improve return to work timing and indemnity costs through increased focus on this challenging subset of claims.
2) ***Align MCO payments to managed care industry.*** Currently, BWC spends 27% of its total medical benefits on MCO medical management. This is well over what industry standards are for medical administrative payments in other environments. Industry

standards in similar environments reflects a 14% to 15% medical management spending to total medical spending. We recommend Ohio undertake a strategy which appropriately takes into account unique attributes of the Ohio environment to better align payments MCO medical management spending with the managed care industry.

3) ***Optimize outcome payments to align with contractual expectations and drive continuous improvement.*** The current system of competitive distribution of outcome payments permits rewards without improvement as long as performance surpasses that of peers. We recommend using defined performance goals to incentivize continuous improvement among MCOs as a whole rather than relative to one another. This would allow BWC to drive continuous, year-over-year improvement.

In spite of the fact that Ohio ranks at the highest level of workers' compensation performance, there are potential opportunities to further strengthen the system.

Report area	Topic	Evaluation	Recommendation
Impacts that MCOs have had on the Ohio workers' compensation system	Satisfaction	Excellent	Conduct a satisfaction survey of workers & Employers once every two years
	Operational Ability	Good	
	Cost savings	Good	
	Return to work - overall	Good	
	Return to work – lost time claims	Room For Improvement	Monitor RTW separately for lost time claims
Identifying the strengths and weaknesses of the current MCO environment	Duplication of Labor	Room For Improvement	Continued reinforcement of labor division protocols
	Clinical Editing and Medical Bill Review	Room For Improvement	MCOs adopt competitive editing & review criteria
	Development of process and outcome indicators	Room For Improvement	Updates underway to reflect performance achievement levels & drive improvement
	Market competition and Open Enrollment	Good	
Assessment of the current MCO performance measurement protocol	Administrative benchmarks	Room For Improvement	Update performance achievement levels & drive improvement
	MoD Score benchmark data	Needs Revision	Update benchmarking data & use ICD-10 codes
	MoD Accuracy	Excellent	Continue with current MoD scoring
Assessment of the current MCO payment and incentive methodology	Administrative Payments	Needs Revision	Align MCO payment to market standards
	MoD based outcome payments	Room For Improvement	Assess performance relative to acceptable thresholds
	Exceptional Performance Indicators	Room For Improvement	Continuing to collect MCO performance data on these indicators & refine benchmarks
	On-site Case management	Room For Improvement	Reevaluate guidelines for on-site case management and incentivize appropriate use when intense medical management is required.
Comparative analysis of BWC's current approach to procurement of medical management services	Quality Assurance Monitoring	Good	
	Performance Benchmarks	Room For Improvement	Increase data timing and accuracy thresholds
	State Comparisons	Excellent	
	Incentive Strategies	Room For Improvement	Optimize incentives to align with contractual expectations and drive continuous improvement

BWC Board Presentation

MCO Impact Study

December 19, 2018

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Workers' compensation managed care organization impact study

Deliverable 1: Quantitative and qualitative report: Impacts that MCOs have had on the Ohio Workers' compensation system

Deliverable 2: Report identifying the strength and weakness of the current MCO environment, with recommendations on opportunities to further enhance the system

Deliverable 3: Assessment of the current MCO performance measurement protocol

Deliverable 4: Assessment of the current MCO payment and incentive methodology

Deliverable 5: Comparative analysis of BWC's current approach to procurement of medical management services

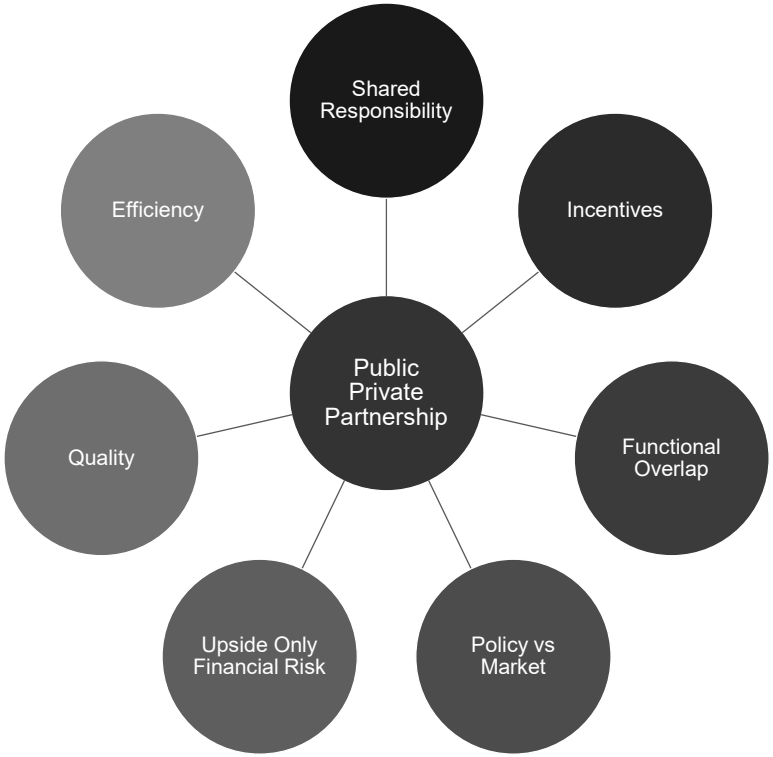
Objective

Evaluation of the impact of managed care organizations on Ohio's workers' compensation system.

- Collecting initial workplace injury reports and transmitting documentation to BWC
- Management and authorization of medical treatment
- Medical review and bill payment processing
- Maintaining provider relations with BWC-certified healthcare providers
- Return to work services
- Utilization review
- Training and education for both employers and injured workers
- Arrange peer reviews and independent medical evaluations as necessary for treatment decisions
- Processing treatment appeals through the Alternative Dispute Resolution (ADR) process.

Satisfaction **Efficiency** **Benchmark** **Value**

MCO Environment in Ohio



- **Functional Overlap**
  - Balance between efficiency and quality. Overlap ensures that quality will be met at the expense of efficiency
- **Shared Responsibility**
  - Balance between accountability and innovation
- **Policy vs. Market**
  - Regulatory oversight vs market competition

Overall Ohio has a lot to be proud of

National Comparisons

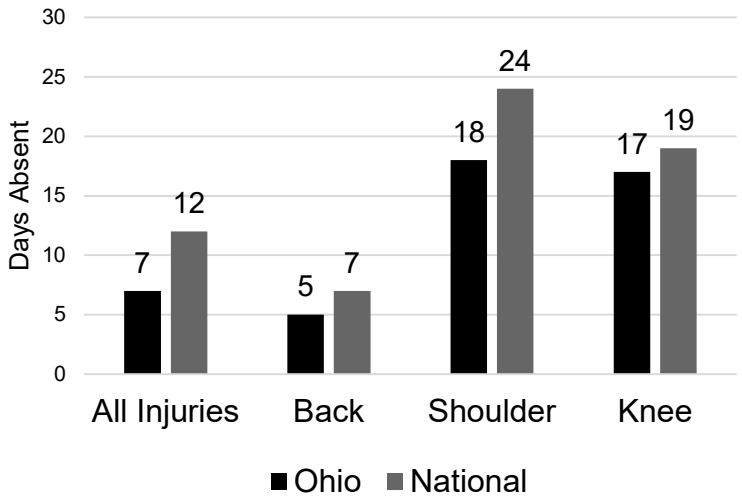
Injured Worker and Employer Satisfaction

Mature Process Indicators

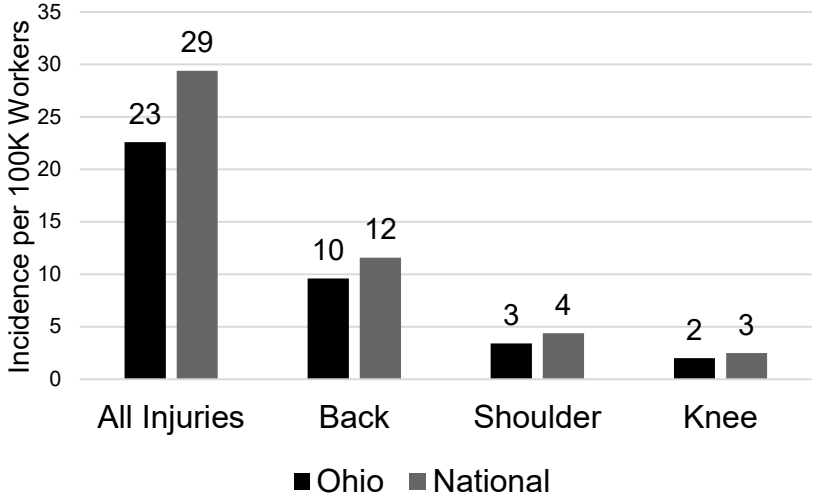
Quality Assurance

National Comparisons: Ohio is a leader in workers' compensation

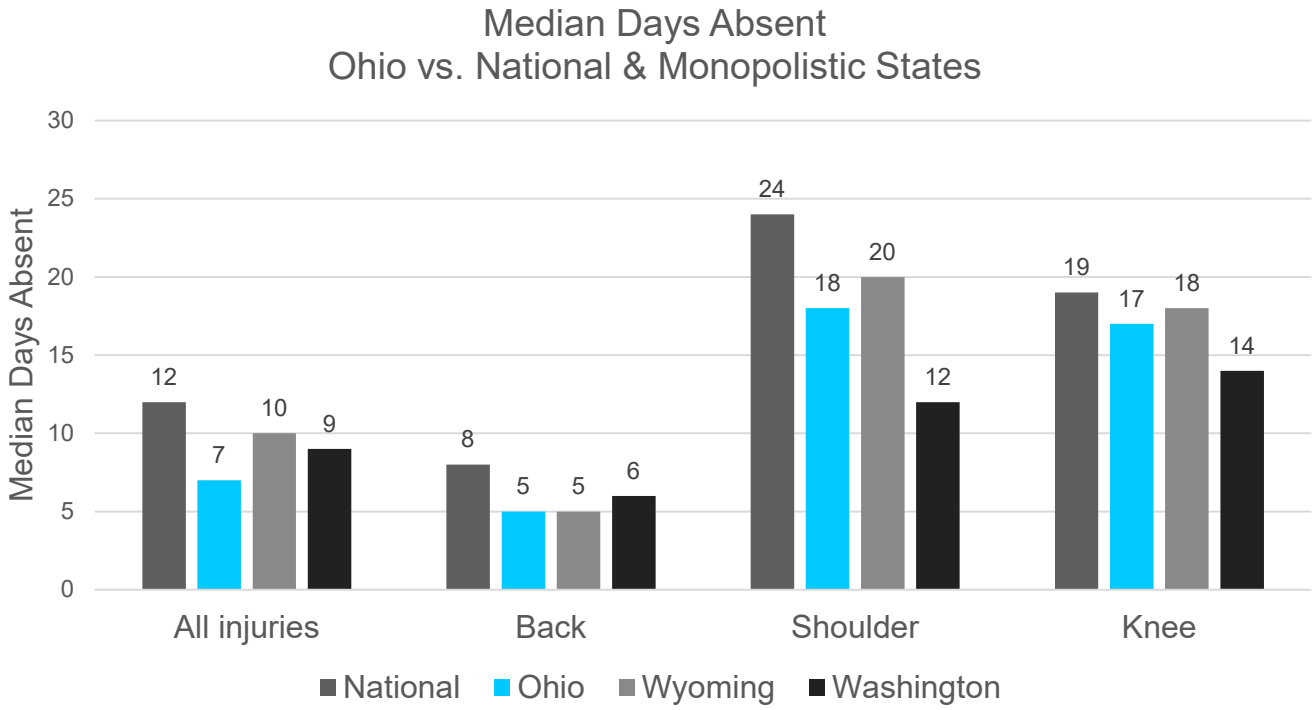
Duration of Absence - Ohio vs. National, 2016
Source: US BLS



Injury Rate per 100,000 Workers - Ohio vs. National, 2016
Source: US BLS

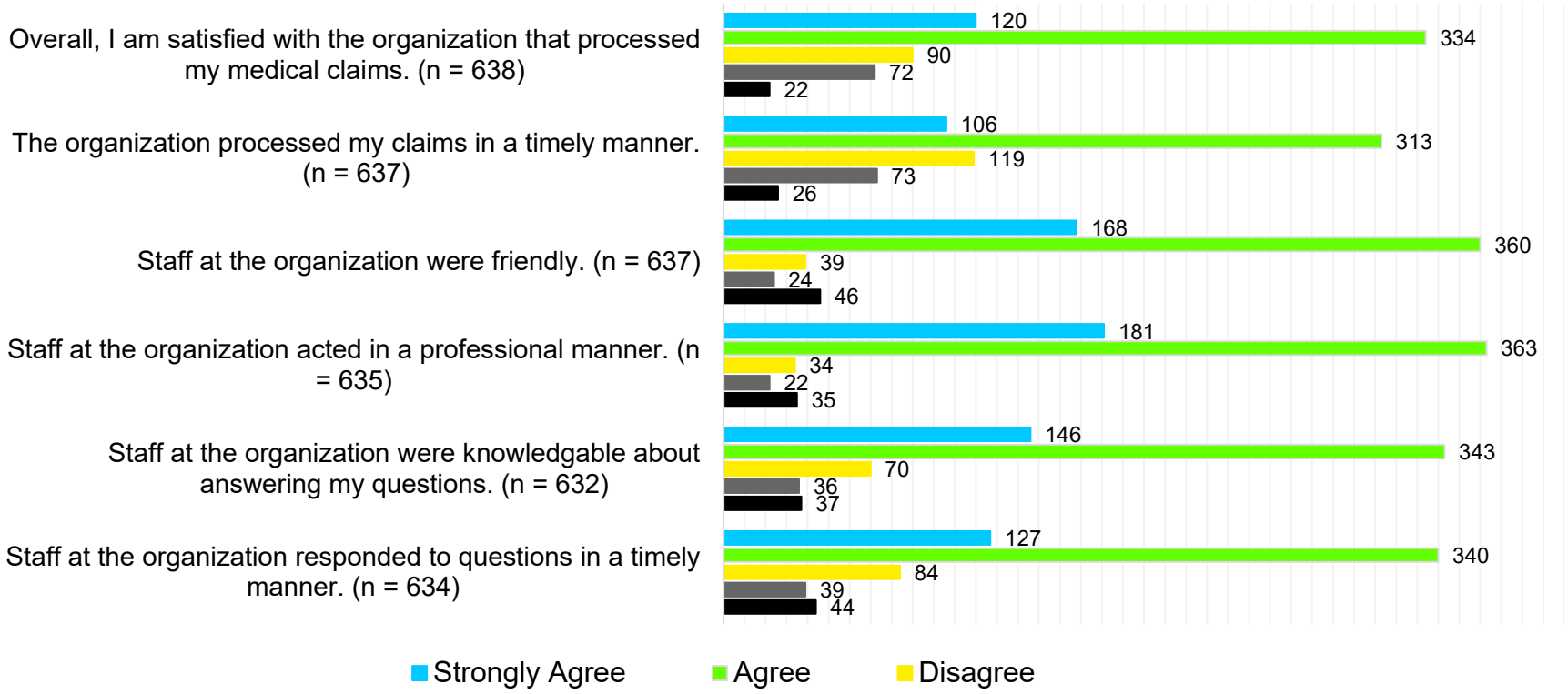


Ohio is performing well relative to other monopolistic states *



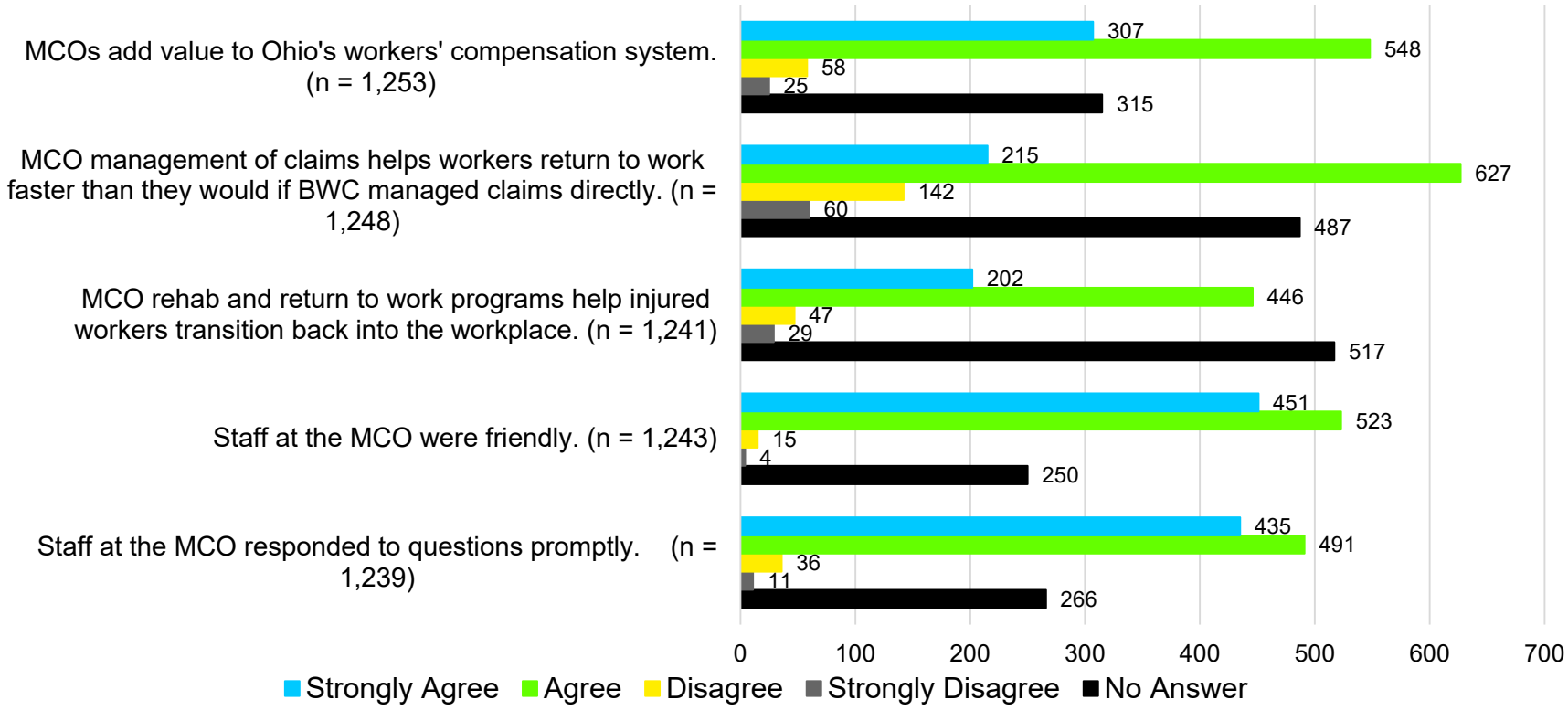
** Comparable Data not available for North Dakota*

Injured Worker Satisfaction



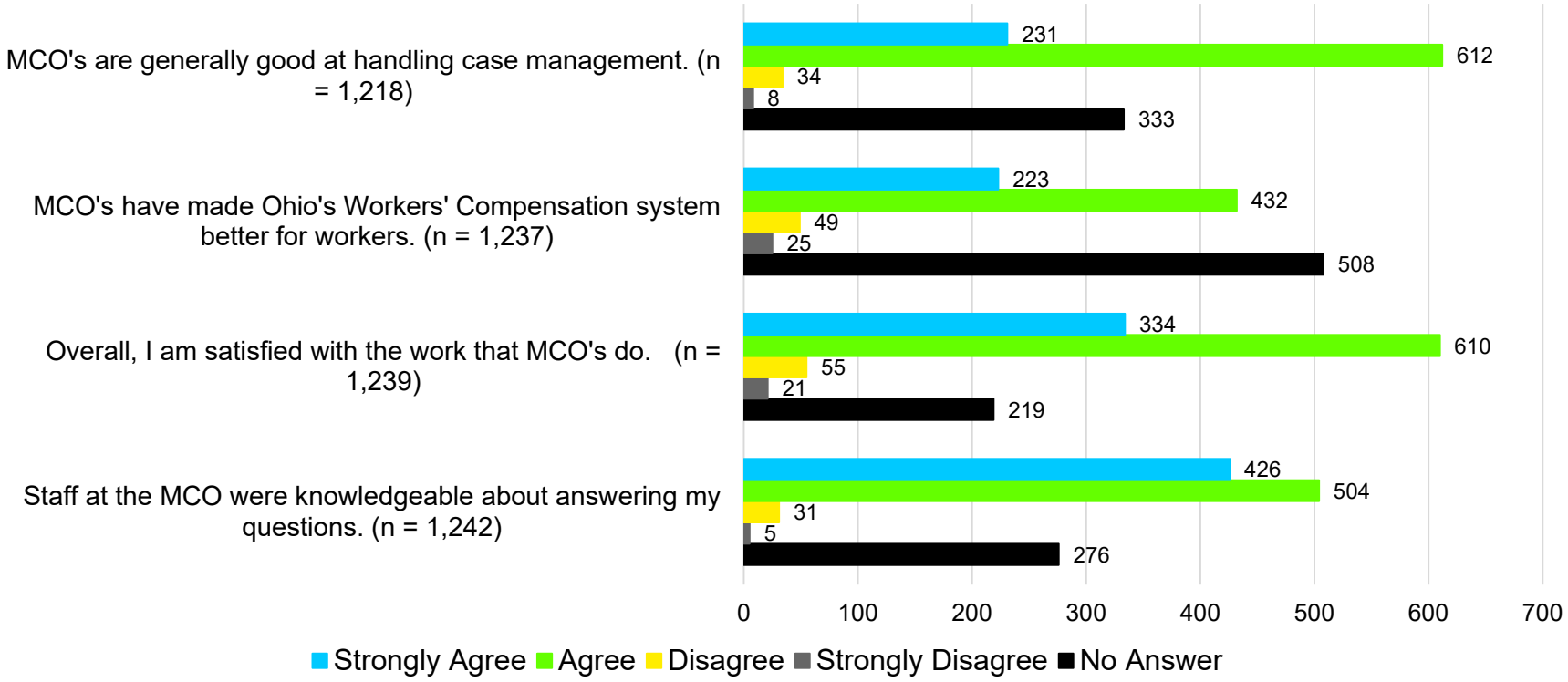
Conclusion: Overall, injured workers feel that MCOs add value

Employer Satisfaction



Conclusion: Overall, employers feel that MCOs provide valuable services

Employer Satisfaction



Conclusion: Overall, employers feel that MCOs provide valuable services

Shared Responsibility Vs. Duplication

Three Point Contact

- Operational overlap, not design overlap
- Enforcing best-practice deadlines has led to improved FROI timing
- Positive impact on injured workers trying to navigate the workers' compensation system

Alternative Dispute Resolution

- Duplication of efforts prior to 2009
- Efforts to streamline the process have been successful

Document Collection

- The Imaging Pilot Project reduced duplicative document collection and streamlined the process of information gathering

MCO Certification Requirements: URAC

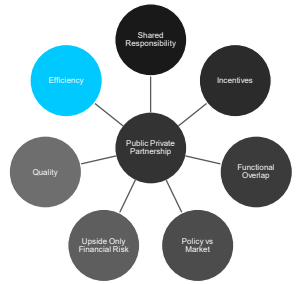
URAC: Utilization Review Accreditation Commission

- National best-practice guidelines for healthcare industry and medical case management.
- Requires regular announced and unannounced audits of MCOs performed by URAC representative.

Ohio requires URAC accreditation

- Serves as a basic indicator of competencies that MCOs must have in order to enter the marketplace.
- Ohio has required URAC accreditation since 2001-2002 contract years.
- Ohio is the only state that requires URAC accreditation for Workers Compensation medical management services.

Process Indicators – Mature Indicators of Efficiency



Process indicators have historically been important tools for the BWC when efficiency has been a primary goal

Indirectly affects medical management and the goal of returning the injured worker to work

<u>These activities measure areas designed to support efficiency, effectiveness and quality in the system</u>

- FROI timing and FROI data accuracy ensure that the injured worker is treated quickly.
- Bill timing and accuracy make sure that employer premiums are used efficiently.

MCO Responsibility	Activity	Timing
Collecting initial workplace injury reports and transmitting documentation to BWC	FROI timing	**Monthly**
	FROI data accuracy	**Monthly**
Medical review and bill payment processing	Bill timing	**Monthly**
	Provider bill data accuracy	**Monthly**
	Inpatient hospital bill payment accuracy	**Quarterly**

Opportunities to Improve: Moving from better to best

Outcome Measures (Measurement of Disability and Exceptional Performance Indicators**)**

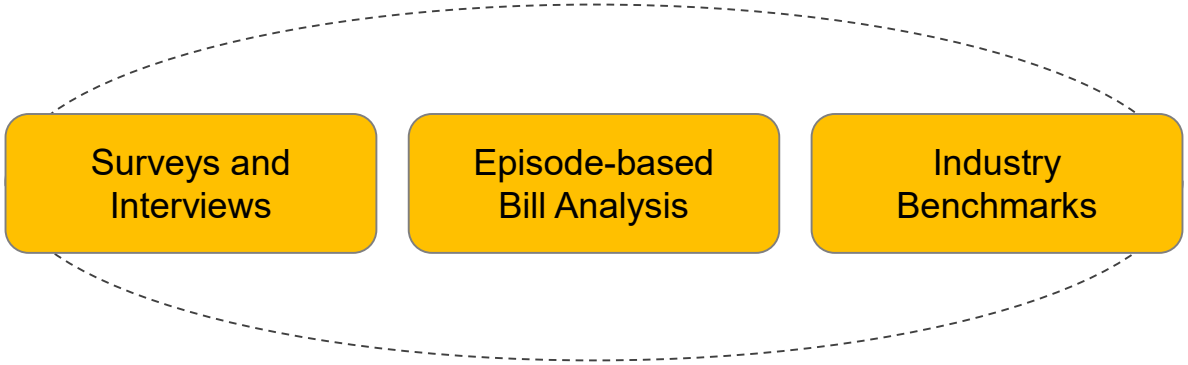
MoD score - Focus on lost time claims

Process Measures

On Site Case Management

Analytic Methods

- **Mixed-methods (quantitative and qualitative analysis)**
- **Contextualized with industry, market and medical data**
- **Analytical expertise in medical management of conditions studied**

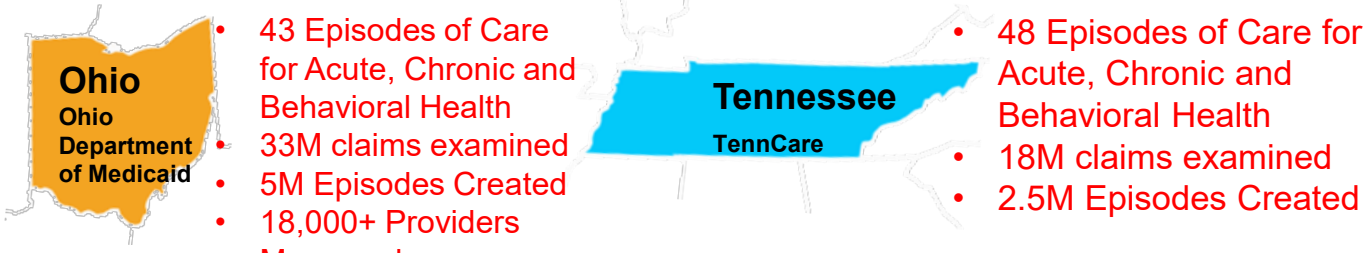


Episodes of Care

An Episode of care is a defined set of services provided to treat a clinical condition or procedure

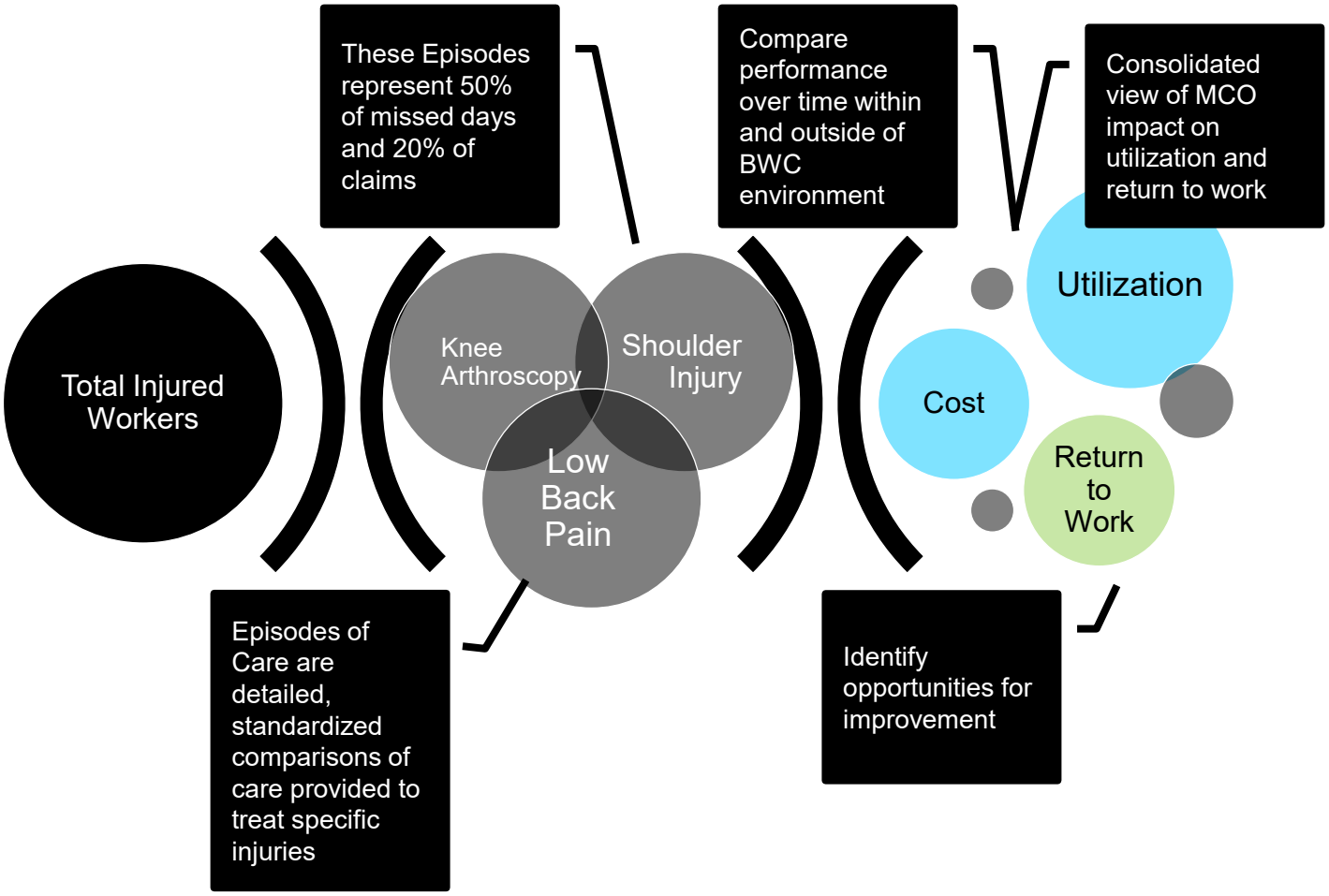
Episode of Care enhanced data allows stakeholders to focus on cost, services and quality.

- **The episode of care algorithm uses codes reported on claims or bills to analyze treatment and condition groups for specific time periods**
- **Episodes are an analytical lens examining the value of care delivered for the treatment of specific injuries, disease conditions and procedures.**



- 43 Episodes of Care for Acute, Chronic and Behavioral Health
- 33M claims examined
- 5M Episodes Created
- 18,000+ Providers Measured

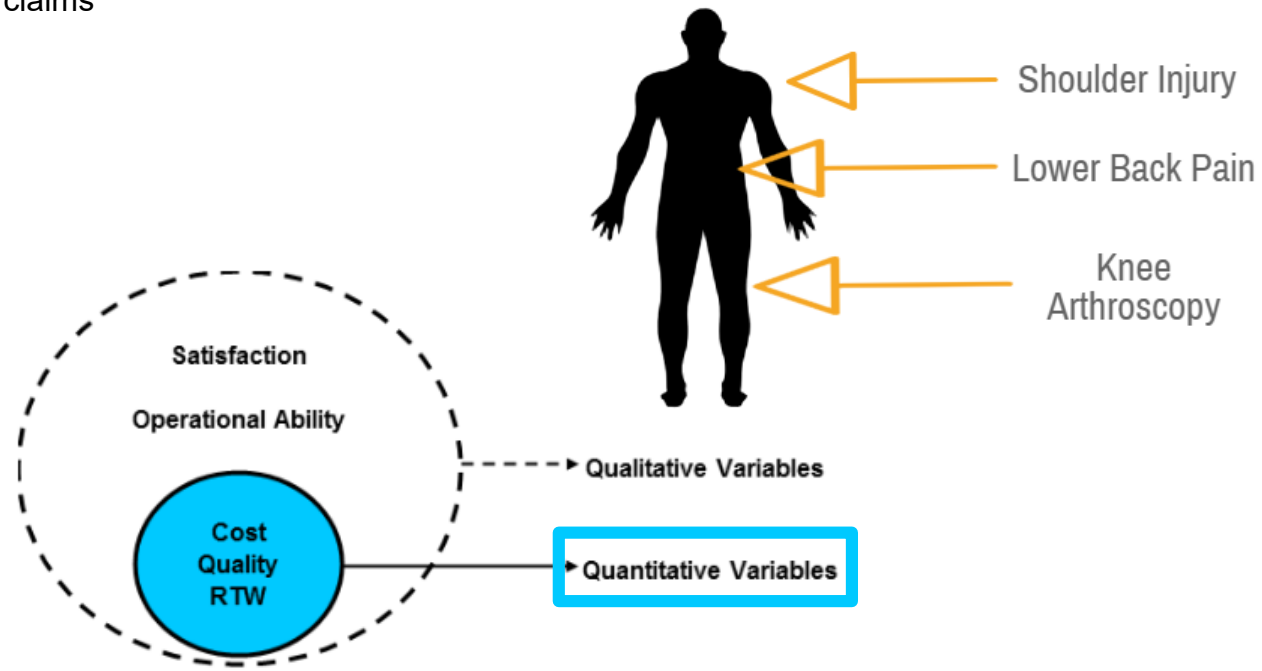
- 48 Episodes of Care for Acute, Chronic and Behavioral Health
- 18M claims examined
- 2.5M Episodes Created


These Episodes represent 50% of missed days and 20% of claims
Compare performance over time within and outside of BWC environment
Consolidated view of MCO impact on utilization and return to work
Total Injured Workers
Knee Arthroscopy
Shoulder Injury
Low Back Pain
Utilization
Cost
Return to Work
Episodes of Care are detailed, standardized comparisons of care provided to treat specific injuries
Identify opportunities for improvement

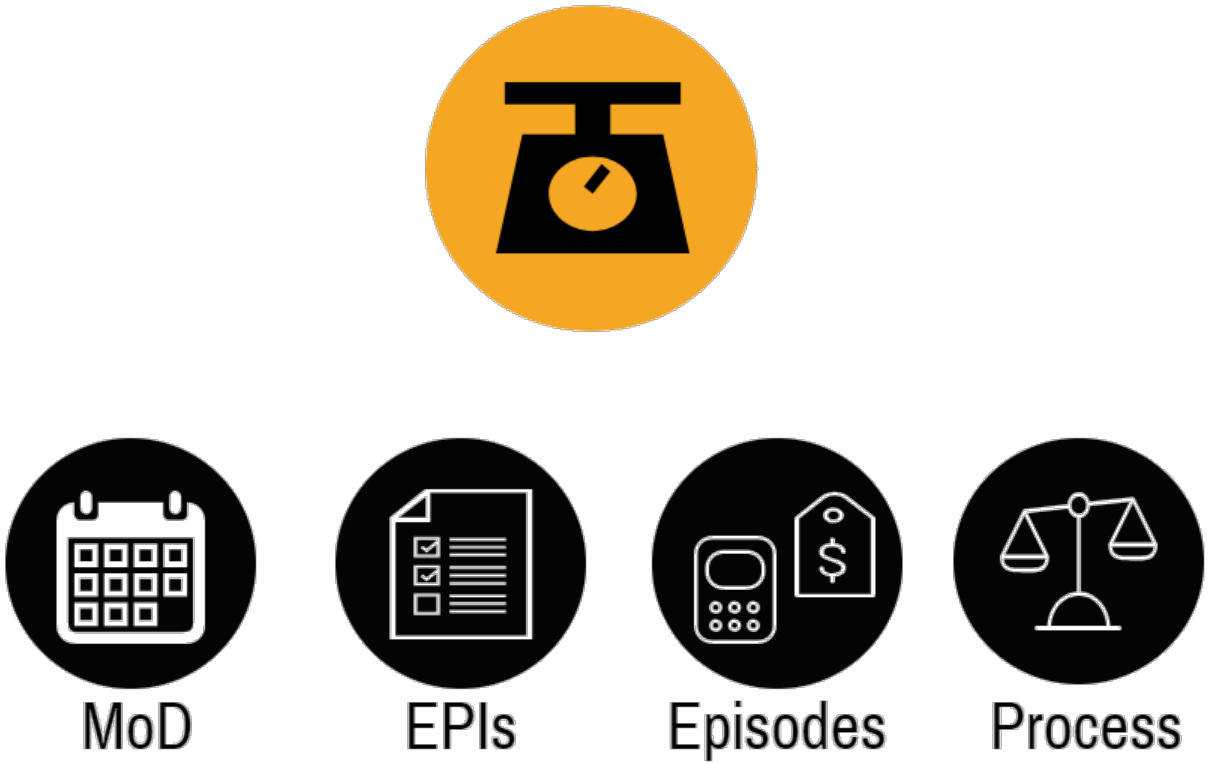
MCO impact evaluation: Quality and Cost

Quantify the impact MCOs have had on:

- medical management of claims
- return to work
- claim costs
- duration



You Can’t Manage What You Can’t Measure



Medical Care Quality & Cost Containment

Improvement in performance on measured quality metrics

Medication management:

- Reduction in opiate usage
- Reduction in high-risk prescribing of opioids and benzodiazepines

Improvements in control of low value, high-cost care

- Reductions in repeated MRI, increases in conservative/incremental imaging
- Repeated emergency visits

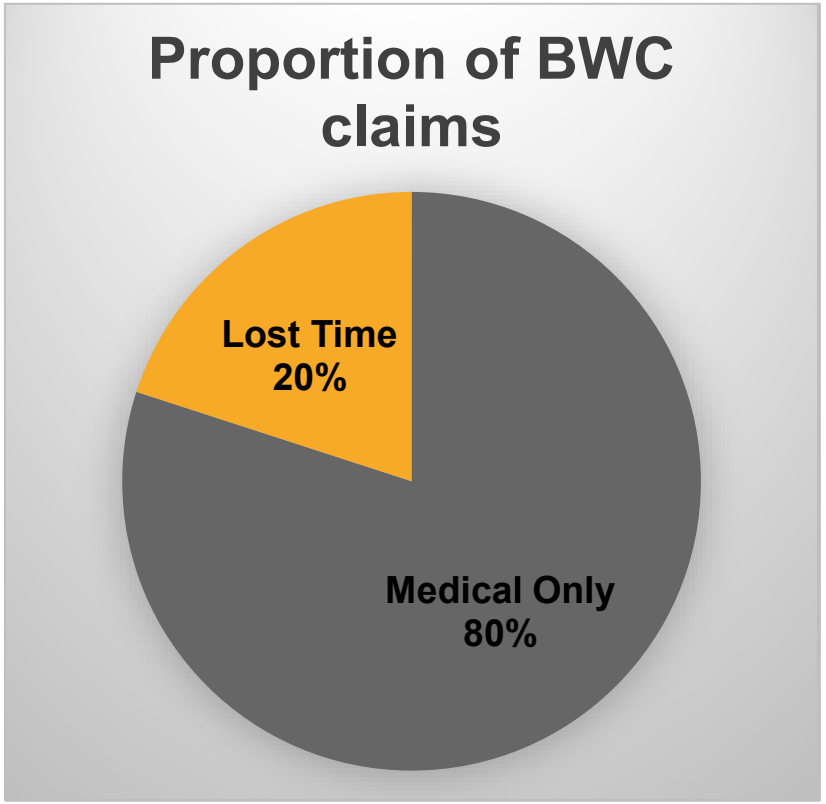
Medical Care Quality & Cost Containment

Medical Only Claims

- **7 days or less off work**
- **Average duration of absence is improving if all claims grouped together (medical + lost time)**

Lost Time Claims

- **Greater than 7 days off work**
- **The average duration of absence is increasing if lost time claims are examined separately**



Return to work timing: improving

All three episode types showed Improvements in return to work following injury in recent years

- Average duration of absence is decreasing for all claims when both medical only and lost time claims are evaluated together
- 80% of BWC claims are medical only

Both Medical & Lost Time

All MCO average duration of initial absence 2012-2017*

	2012	2013	2014	2015	2016	2017*
Back Pain	82.60	78.52	78.03	73.45	76.07	*51.56*
Shoulder Injury	155.50	156.20	142.20	144.70	120.80	*76.30*
Knee Arthroscopy	269.00	243.01	253.68	246.11	212.32	*164.37*

200 Days

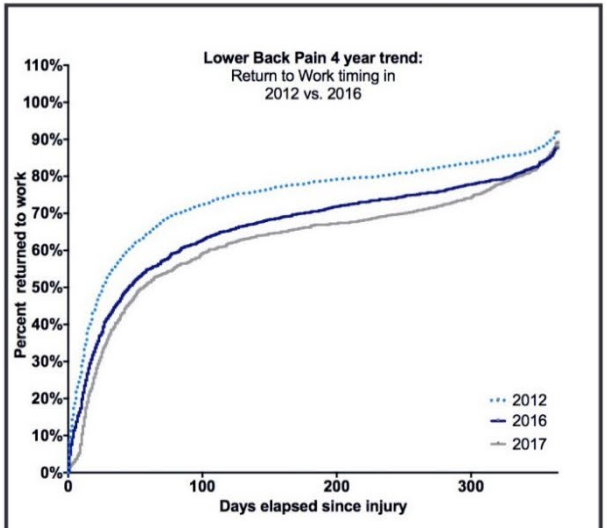
100 Days

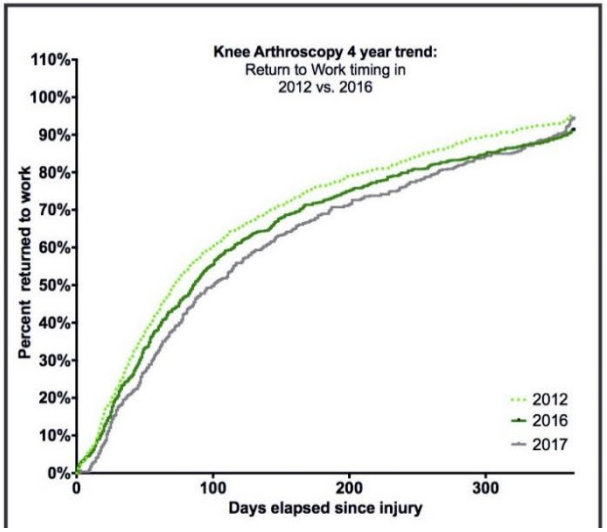
*2017 data incomplete at time of report

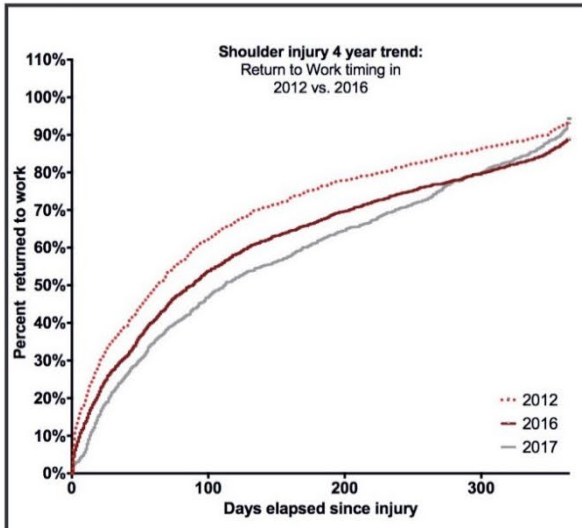
Return to work timing:

- All three episode types showed poor RTW results when evaluating lost time claims separately from medical only claims.
- The duration of absence is not improving and is increasing for lost time claims.

Lost Time Only







**2017 data incomplete at time of report*

Opportunity for improvement based on episode analytics data: RTW for lost time claims

Excellent progress in the system overall

Lost time claims not experiencing the same improvement

Both Medical & Lost Time

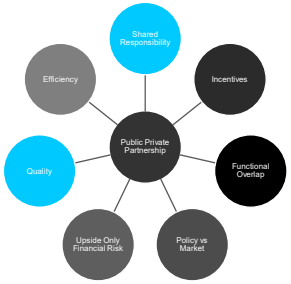
Lost Time Only

Conclusion: Issue of visibility for lost time claims. By grouping the two claim types, trends in this important 20% of claims are obscured.

Recommendation:

- Continue evaluating both claim types to monitor system overall
- Stratification of medical only and lost time claims to provide greater visibility into trends in RTW for claims of each type.

Evaluation of Outcome Performance Evaluation Measure: Measurement of Disability (MoD)



Goal: Evaluate MoD metric used to measure MCO performance

Official Disability Guidelines (ODG)

- **National set of guidelines with multiple functionalities assisting medical management**
- **Also has a RTW estimator which we selected to validate**

Set out to validate the effectiveness of MoD in terms of its ability to measure MCO performance

Tested MoD and ODG's Return to Work Prediction

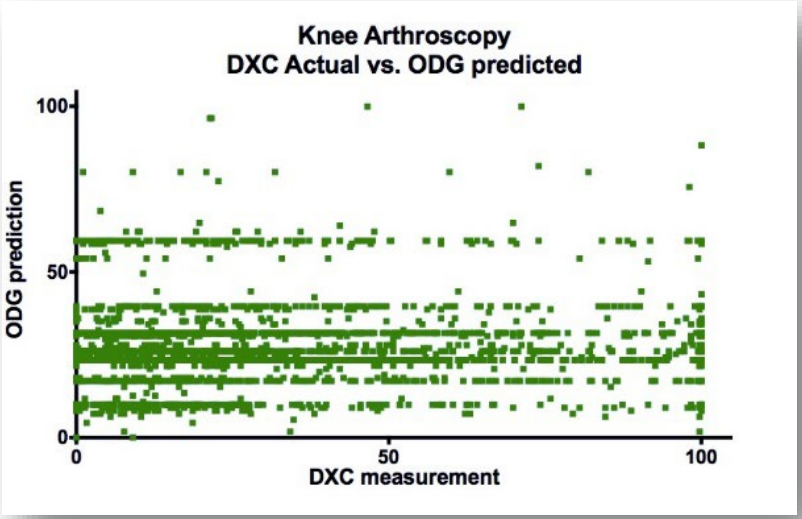
Goal: Determine which was more closely aligned with actual days absent

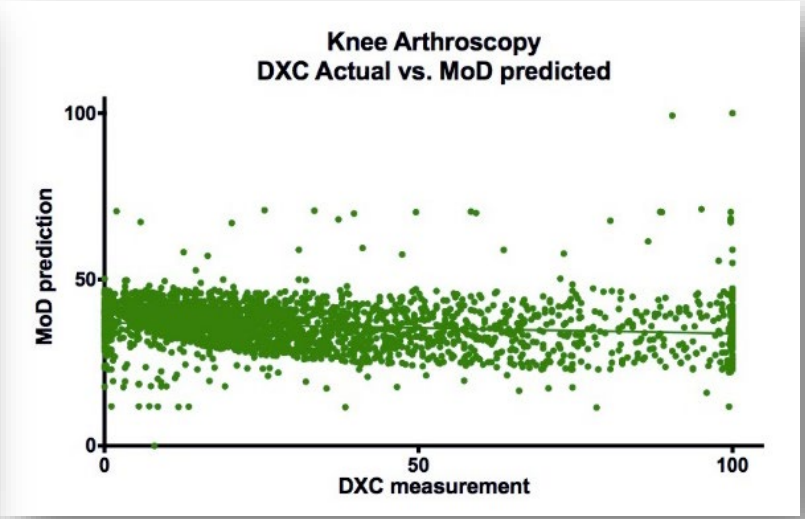
Finding: Greater agreement between MoD scoring and actual days absent than ODG RTW vs. days absent

Recommendation:

- **Maintain the calculation methodology of MoD**
- **Update diagnosis coding used for MoD calculations from ICD-9 codes to ICD-10**
- **Update the benchmark data used for evaluation of claim duration and diagnosis severity**
  - *Updating is currently in progress*

Greater agreement between MoD scoring and days absent than ODG RTW vs. days absent.





Tighter line indicates better agreement between tested disability metric and actual duration of disability

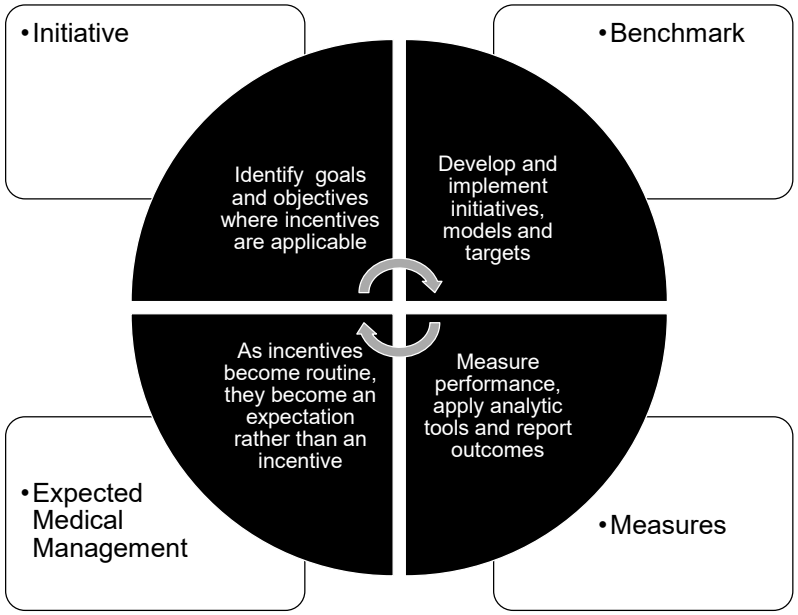
Exceptional Performance Indicators

Introduced in 2016 in order to emphasize specific high-value actions in medical management

1. Medication management
2. Vocational rehabilitation
3. Transitional work
4. Legacy return to work
5. Wellness programs

Conclusion: Data are new, but the nature of EPIs is aligned with best practice to drive continuous improvement in a non-traditional risk-sharing model

Recommendation: Continue to collect MCO performance data on these indicators evolution of performance measurements and benchmarks



On-Site Case Management

Situations where on-site case management services may be needed include:

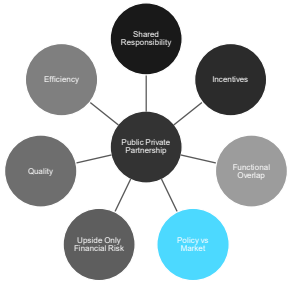
1. *Verbal communication barrier.*
2. *Disagreements or misunderstandings of treatment plan hindering RTW.*
3. *At the request of the injured employee.*
4. *Facilitate initial emergency treatment to expedite medical care.*

Appropriate use of on-site case management for high-value cases is of great value:

- Expected as part of medical case management in other environments where MCOs bear financial risk.
- In Ohio MCOs do not share financial risks for medical costs so incentivization may be required in this environment, even though on-site case management is an expected part of claims management in other circumstances.

We recommend that MCOs and BWC reevaluate medical management guidelines and consider development of a payment structure that would reward high-value use of on-site case management, only when intense medical management is required.

MCO Administrative Payments: Moving from better to best



Aligning administrative payments with industry standard

Revising competitive MoD outcome payments

Administrative Payment Comparison

Services provided by MCOs

- First Report of Injuries
- Medical Management Services
- Provider Relations
- Return to Work Services
- Quality Assurance
- Employer Services
- Provider Bill Processing in a timely, accurate manner
- Alternative Dispute Resolution
- Peer-review

Plan Type	Median % of Premium for Admin. Costs
Managed Care Plan, insured *	14%
Managed Care Plan, ASO	8.5%
Indemnity and PPO	15%
Indemnity and PPO, ASO	8.6%
Medicaid *	13.8%

** Ohio BWC MCOs are most similar to these plan types based on services offered.*

Key Differences in Managed Care Environments

1. Ohio MCO provide services that are not perfectly comparable to other environments.

2. In a traditional full-risk-reward managed care environment, savings and risk are transferred to the MCO.

3. MCOs in other environments have different tools, types of leverage and obligations.

4. Differing duration of medical management.

MCO Administrative Payments

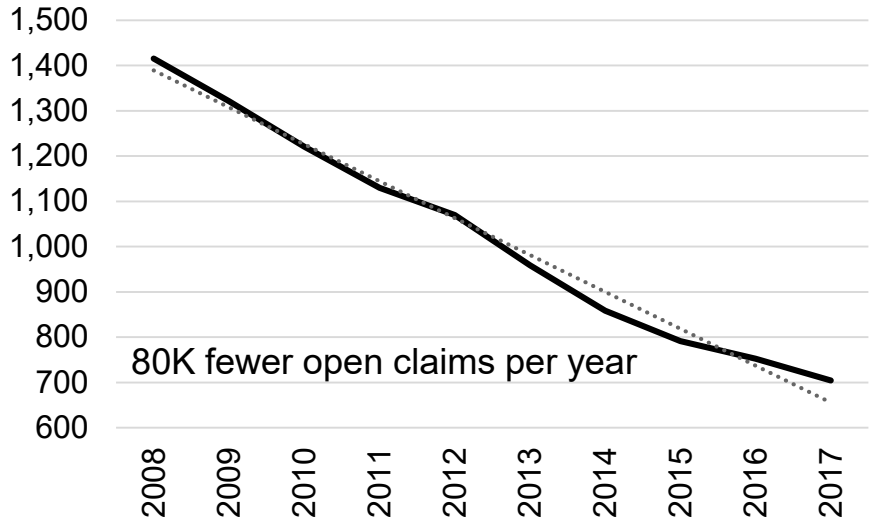
	2017	2016	2015
Medical Benefits Paid*	$461,780,100	$492,913,038	$510,064,188
Total MCO Fees Paid	$170,797,091	$169,229,310	$170,688,324
Total Paid	$632,577,191	$662,142,348	$680,752,512
Total MCO Fees Paid (%)	**27%**	**26%**	**25%**

**Medical Benefits Paid do not include PBM costs.*

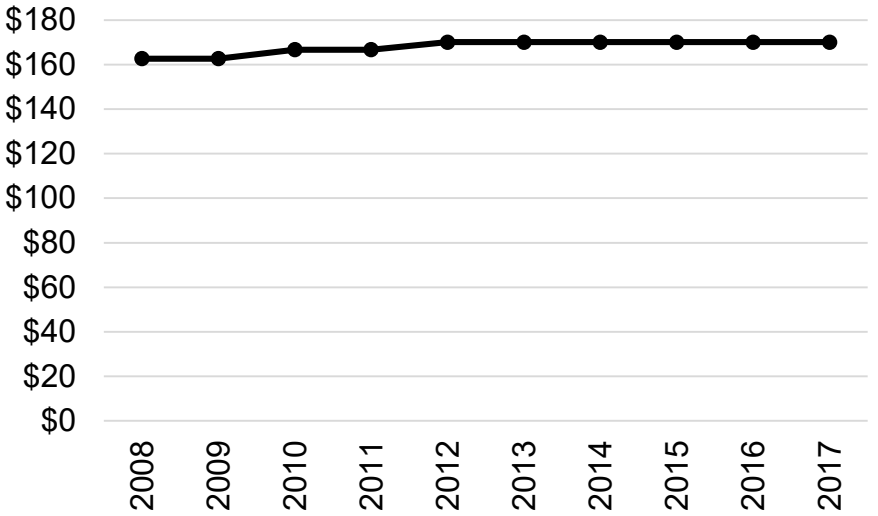
Conclusion: Administrative payments made to Ohio MCOs is greater than that observed in other environments

MCO Payments

Statutorily Open Claim Volume by Year
(In Thousands)

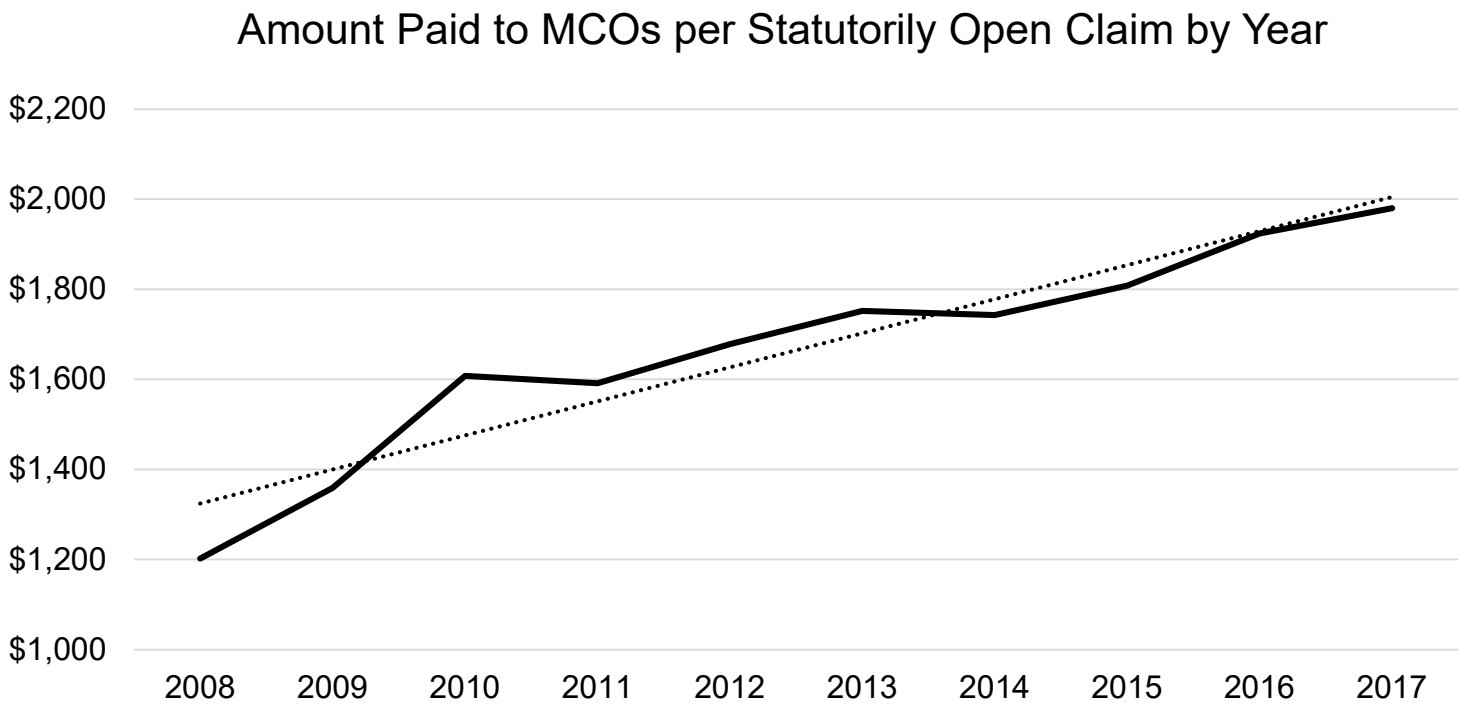


Available MCO Payment per Year
(In Millions)



Open Claim Volume per year has decreased but MCO payments have remained constant

MCO Administrative Payments



The cost per statutorily open claim is increasing each year.

MCO Payments

Additional Recommendations:

- Align MCO payment with industry standard in terms of MCO payments as a percentage of total expenditures.
  - While taking into account unique requirements and objectives of the HPP.
- Incentives and outcome payment methodologies should be further evaluated and reconsidered.
  - In concert with well-established benchmark targets and appropriate risk distribution.

- In order to align with industry standards, we recommend the BWC adjust the MCO medical management payment to reflect industry standards while taking into account Ohio's unique environment.
- The distribution of administrative and outcome payments need to reflect the goals and objectives of the HPP and use incentives to mirror what exists in a traditional MCO environment.

Changes to MoD Payments

- **Current payment distribution:**
  - A pool of money is fully distributed among MCOs.
  - Success is defined relative to peers MCOs instead of an absolute threshold.
  - Competitive distribution permits rewards without improvement as long as performance surpasses that of peers.

- **Creation of an acceptable performance threshold may better serve the goals of the HPP because:**
  - Incentivize continuous improvement among MCOs as a whole rather than relative to one another.
  - Allow BWC to drive continuous, year-over-year improvement through defined performance goals.
  - Risk-reward

- ***Performance Benchmarking*** *focuses on identification and obtainment of best practices and rewards continuous improvement*

- ***Competitive Benchmarking*** *focuses on the performance in the metric and is best used when the goal is to determine the relationship and distribution of peers*

-Six Sigma performance evaluation best practices

Report area	Topic	Evaluation	Recommendation
Impacts that MCOs have had on the Ohio workers' compensation system	Satisfaction	Excellent	Conduct a satisfaction survey of workers & Employers once every two years
	Return to work - overall	Excellent	
	Operational Ability	Good	
	Cost savings	Good	
	Return to work – lost time claims	Room For Improvement	Monitor RTW separately for lost time claims
Identifying the strengths and weaknesses of the current MCO environment	Market competition and Open Enrollment	Good	
	Duplication of Labor	Room For Improvement	Continued reinforcement of labor division protocols
	Clinical Editing and Medical Bill Review	Room For Improvement	MCOs adopt competitive editing & review criteria
	Development of process & outcome indicators	Room For Improvement	Updates underway to reflect performance achievement levels & drive improvement
Assessment of the current MCO performance measurement protocol	MoD Accuracy	Excellent	Continue with current MoD scoring
	Administrative benchmarks	Room For Improvement	Update performance achievement levels to drive improvement
	MoD Score benchmark data	Needs Revision	Update benchmarking data & use ICD-10 codes
Assessment of the current MCO payment and incentive methodology	Exceptional Performance Indicators	Good	Continuing to collect MCO performance data on these indicators & refine benchmarks
	MoD based outcome payments	Room For Improvement	Assess performance relative to acceptable thresholds
	On-site Case management	Room For Improvement	Reevaluate guidelines for on-site case management and incentivize appropriate use when intense medical management is required.
	Administrative Payments	Needs Revision	Align MCO payment to market standards
Comparative analysis of BWC's current approach to procurement of medical management services	Quality Assurance Monitoring	Excellent	
	State Comparisons	Excellent	Consider Trusted Provider Networks
	Performance Benchmarks	Good	Increase data timing and accuracy thresholds
	Incentive Strategies	Room For Improvement	Optimize incentives to align with contractual expectations and drive continuous improvement

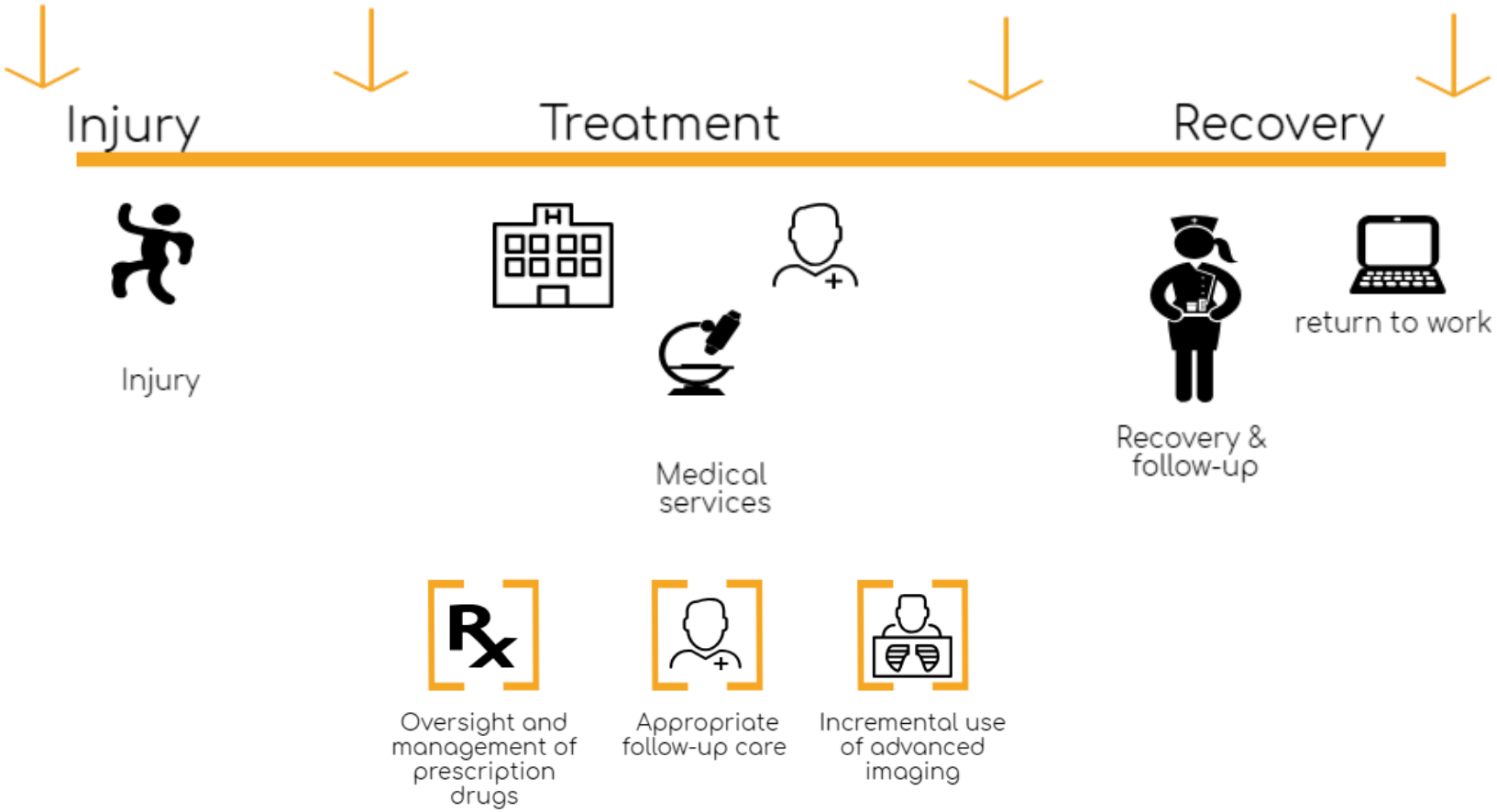
December 19, 2018

Appendix

Additional supporting data

DXC.technology

Episodes of care as a measuring tool



CLINICAL QUALITY METRICS